AUDITOR GENERAL
Alberta

Report of the Auditor General of Alberta

AUGUST 2014

SPECIAL DUTY REPORT ON
THE EXPENSES OF THE OFFICE OF PREMIER REDFORD
AND ALBERTA'S AIR TRANSPORTATION SERVICES PROGRAM

AUDITOR GENERAL
Alberta

The Honourable Dave Hancock, Q.C.
President of the Executive Council

Members of the Legislative Assembly of Alberta

I have the honour of presenting my report entitled "August 2014 Special Duty Report on the Expenses of the Office of Premier Redford and Alberta's Air Transportation Services Program."

This report was prepared in response to the request that I received from Premier Redford on March 4, 2014, under Section 17(2) of the *Auditor General Act*.

Merwan N. Saher, FCA

Merwan N. Saher, FCA
Auditor General

Edmonton, Alberta
August 1, 2014

Contents

	Page
Summary and Conclusions	1
Audit scope	7
Advice on travel, meal and hospitality expense and travel and expense disclosure policies	9
Office of the Premier's expenses and use of government aircraft	17
Air Transportation Services program	33
Premier's suite in the Edmonton Federal Building	43
Appendices Premier Redford's request to the Auditor General – March 4, 2014 Auditor General's response to Premier Redford – March 7, 2014 Auditor General's response to Premier Hancock – April 15, 2014 Cost of the report	45

SUMMARY AND CONCLUSIONS

Summary

On March 4, 2014, Premier Redford asked the auditor general to perform a special duty under Section 17(2)[1] of the *Auditor General Act*. We accepted Premier Redford's request on March 7, 2014 and formally communicated the scope of our work to Premier Hancock on April 15, 2014.

Our objectives were to:

- review the Government of Alberta's travel, meal and hospitality expense and disclosure policies and provide advice on whether the policies provide a framework for the most effective and efficient use and disclosure of public resources in the course of mandated government business
- assess whether Premier Redford and the Office of the Premier's employees complied with the Government of Alberta's:
  - travel, meal and hospitality expense policy
  - public disclosure of travel and expense policy
  - Air Transportation Services (ATS) policies
- assess if the Department of Treasury Board and Finance has adequate processes to assess the ATS program to ensure the program is meeting its objectives, considering risks, costs and benefits

We also decided subsequent to Premier Redford's request to examine the Edmonton Federal Building redevelopment plan and specifically the development of the 11th floor.

We obtained details of travel, meal and hospitality expenses from the Ministries of Executive Council and Intergovernmental and International Relations (IIR) for the expenses of the Office of the Premier (the office). We tested expenses for the period of October 2012 through to March 2014, for compliance with Government of Alberta policies. The office's total travel, meal and hospitality expenses for the period were $659,690.

As part of our audit we interviewed Premier Redford, her former chief of staff, her executive assistants and both current and former employees of the office. We had access to Premier Redford's calendar and schedule as we completed our audit. We also interviewed employees of the Ministry of IIR who had responsibility for organizing the majority of the out-of-province travel for the office.

We met with and received records from staff at the Department of Treasury Board and Finance, who have responsibility for the ATS program.

We met with and received records from staff at the Department of Infrastructure on the re-development of the Edmonton Federal Building. We interviewed staff of the architectural firm and Minister Drysdale.[2]

---

[1] Section 17(2) of the *Auditor General Act* states "The Auditor General shall perform such special duties as may be specified by the Executive Council, but only if those special duties do not conflict with or impair the exercise or performance of any of the Auditor General's powers and duties under this or any other Act."

[2] Hon. Wayne Drysdale, Minister of Infrastructure, May 2012 to December 2013 and May 2014 to date

Overall conclusion

Premier Redford and her office used public resources inappropriately. They consistently failed to demonstrate in the documents we examined that their travel expenses were necessary and a reasonable and appropriate use of public resources—in other words economical and in support of a government business objective. Premier Redford used public assets (aircraft) for personal and partisan purposes. And Premier Redford was involved in a plan to convert public space in a public building into personal living space.

The Department of Treasury Board and Finance has not explained to Albertans why it believes the extra cost over alternatives to owning a fleet of aircraft is judged to be worthwhile.

Where there was a lack of desirable clarity in policies (for example, the appropriateness of a family member travelling on a government aircraft), we have inferred the policy intent from the overriding principles. Use of a public asset in the absence of a government business objective is personal use and inappropriate.

Overall, the expense practices and use of public assets by Premier Redford and her office have fallen short of publicly stated goals. How could this have happened? The answer is the aura of power around Premier Redford and her office and the perception that the influence of the office should not be questioned. We observed a tendency to work around or ignore rules in order to fulfill requests coming from the premier's office in ways that avoided leaving the premier with personal responsibility for decisions. Other areas of government were wary of challenging decisions made in the premier's office. All of the failings might have been prevented or detected earlier with oversight designed to provide substantive challenge.

Our advice and recommendations in this report are intended to improve the management of risk.

No public servant, not even a premier, should be excused from vigilant oversight of their compliance with policies and processes designed both to protect the public interest and themselves from bad judgment.

Senior members of the public service should focus on these three areas of risk:

- allowing any individual's expenses to be incurred and approved by many staff across multiple ministries
- not having processes to identify and cost the partisan use of government aircraft when that use occurs together with government business
- not restricting out-of-province use of government aircraft to those cases where a cost benefit analysis has been performed

This was an audit of the expenses of Premier Redford and her office. It would be wrong for anyone to extrapolate our findings and conclusions to the public service of Alberta as a whole.

Advice on travel, meal and hospitality expense and disclosure policies

Conclusion—The Government of Alberta's travel, meal and hospitality expense policy can be improved to provide a better framework for effective and efficient use of public resources.

The need for business class travel by public servants should be reviewed. Government should make better usage of standing offers for hotels when public servants travel. Clearer guidance is needed on when and how to document the use of discretion when incurring travel costs. In 2013–2014 government departments spent $42.1 million on employee travel (2012–2013 – $39.5 million). Government should review its travel data and consider whether there are further opportunities to identify cost savings. For example, the province has a list of preferred providers of hotels and car rentals. Data analysis could determine how often those offers are used and reasons why they are not used.

In September 2012 the Alberta government announced its travel and expense disclosure policy. The policy's stated purpose is to "provide a framework for the routine disclosure of expense information of government officials to enhance public confidence by improving accountability and transparency." The policy provides for transparency, which is good. However, the disclosure does not improve accountability for the results achieved through the expenses incurred because the context and purpose of the expenses is not integrated with the disclosure.

Government also discloses international travel costs for ministers, MLAs and ministers' office staff. This requirement is in addition to the disclosure required by the public disclosure of travel and expense policy. The disclosure does not capture the full costs of international travel. To illustrate this, the government's published cost for Premier Redford, her staff and other MLAs for the premier's mission to India/Switzerland was $131,374. This disclosed cost complies with the May 2004 policy on disclosure of international travel costs for ministers. However, the existing policy does not require the disclosure of the costs associated with advance planning, security and other government employees who went on the mission. The disclosure of those costs would have brought the total disclosed cost of that mission to approximately $450,000. When looking at the results and the value proposition of international travel, the full cost needs to be understood and evaluated.

Office of the Premier's expenses

Conclusion on expenses—The office did not always comply with the travel, meal and hospitality expense policy because the rationale for approval decisions was not documented for each claim where discretion was exercised. We also did not see evidence of an established process to ensure that travel expenses were a cost effective use of public resources.

Our audit identified the following:

- *Use of discretion was not documented*
  The office's decisions regarding flying business class, travelling commercial airline versus flying government aircraft, personal or partisan time during government travel and the choice and level of accommodation were not well explained in the documents we examined. These decisions impacted the costs associated with the office's travel.

- *A lack of spending parameters and clear guidelines*
  We found that the office did not have processes to ensure travel was done in a cost effective manner. The Government of Alberta has standing offers for hotel accommodation around the world. These were not used by the office and the Ministry of IIR when making hotel arrangements for Premier Redford and her staff within Canada.

- *Lack of personal responsibility for expenses*
  We found expenses were incurred on behalf of Premier Redford by others who travelled with her or made travel arrangements on her behalf. The existing system does not require a premier to certify that public money spent on the premier's behalf supported government business objectives, was a reasonable use of public resources and complied with government policies.

  We found travel arrangements were made and expenses incurred on behalf of the office by the Ministries of Executive Council and IIR. Use of government aircraft was arranged by the Department of Treasury Board and Finance which has responsibility for government aircraft. Throughout the audit it was difficult to find clear documentation of the rationale for travel decisions that were made because of the number of departments and individuals involved in the process.

  Despite expenses being incurred by others and a dispersed approach to making travel arrangements with several departments involved, we concluded that ultimate responsibility for travel costs of the office rests with the Premier. Going forward a change is required to make it absolutely clear that responsibility for the travel costs and other expenses of future premiers and cabinet ministers rests with them personally.

- *Poor oversight and monitoring of the office's expenses*
  There was no formal oversight structure to monitor the office's expenses and use of government aircraft. Throughout the audit we heard an unwillingness or level of discomfort for government departments or other staff within the office to challenge or question Premier Redford and her political staff's expenses and use of government aircraft. Because of the office's influence, a vigilant process of oversight of the office's expenses and usage of government aircraft is required.

  Improved oversight of travel, meals and hospitality spending by the office needs to occur at two levels:
  - The most senior officials in government, deputy ministers, are responsible for making and controlling disbursements within departments. This responsibility includes designing systems to ensure expenditures of public money are reasonable and appropriate and ensuring established processes are followed. Vigilance includes questioning or challenging spending decisions made by the premier and government ministers. Those discussions may be difficult but they are necessary.

  - Elected government members can also do more. In board governed organizations, boards typically have established processes to provide oversight of expenses of the most senior people within the organization. In the case of government, the Treasury Board should implement similar processes. This would include regular reporting to Treasury Board on the office's expenses and use of aircraft from management and examinations by an internal auditor to confirm that policies and processes have been followed.

Office of the Premier's use of government aircraft

Conclusion—The office did not always comply with the government's aircraft usage policy because it used the aircraft for personal and partisan purposes. The policy allows for appropriate use of the aircraft but does not define what that means. Because the aircraft are government assets (i.e., a public asset), we have interpreted the policy to mean that any use that is not intended to support a government business objective would be inappropriate. This interpretation is consistent with the principles of spending public resources, as stated in the government's travel expense policy.

The policy does not provide for personal use. Further, Premier Redford's remuneration did not include a perquisite allowing personal use of government aircraft.

When we examined the office's use of government aircraft we found the following:

- Examples of Premier Redford using government aircraft to travel to locations that had events with both business and personal components and travel to locations that involved both government and partisan business. We found three examples where only partisan business occurred and we could not identify any government business from Premier Redford's schedule that occurred at those locations.
- Examples where Premier Redford travelled on government aircraft with her daughter and her daughter's friends. Examples where Premier Redford's daughter travelled on the aircraft without the Premier.
- A practice of block booking government aircraft to give the appearance that the aircraft was full so that other passengers could not ride on the same flight.
- Examples of out-of-province travel by Premier Redford that was not supported by an analysis to demonstrate the mode of travel was an appropriate and cost effective use of government resources.

Air Transportation Services program

Context of the audit—Our audit did not set out to answer the question of whether the Government of Alberta should have aircraft. That is the job of government. We examined whether the Department of Treasury Board and Finance has adequate processes to assess whether the program is meeting its objectives, considering risks, costs and benefits.

Conclusion—The department has not communicated publicly that it is obtaining the intended benefits of the ATS program. The department completed an analysis of the program in early 2013 but the results were not communicated to the public. This analysis showed that for the 2012 year the program costs were $9.3 million and the cost comparator, a combination of commercial airline options and driving, was $5.4 million. The difference of $3.9 million represents the cost associated with the value the government obtains by having on-demand access to aircraft. This service provides scheduling flexibility and the means of conducting business in private. The department needs to explain this to Albertans and consider whether the $3.9 million in additional cost for this service is a worthwhile use of public money.

Subsequent to the 2013 analysis the program moved its operations from the Edmonton City Centre Airport to the Edmonton International Airport. The 2013 analysis has not been updated to reflect this significant change to the program. The department should update its 2013 analysis and immediately communicate the results of this analysis publicly so that Albertans understand the costs and benefits associated with these public asset aircraft.

The current air transportation services policy does not clearly articulate what use of the aircraft is allowed and what use is not allowed nor does it articulate how to deal with family members flying on the aircraft. In terms of managing the usage of government aircraft, the biggest risk for the responsible minister and the department to manage is the risk of personal or partisan use, or the perception of personal or partisan use, of the government aircraft. This risk has not been well managed because clear expectations have not been established within the policy.

We were asked to provide our opinion on whether the program is providing economy and utility when booked for out-of-province travel. Our conclusion on this request is that government aircraft costing data shows that it is generally not cost effective to fly government aircraft out of province compared to the costs associated with an economy class airfare. The other relevant fact is that the existing aircraft fleet is not designed to fly long distances without additional stopovers for refueling. Therefore, the fleet

should only be used for out of province travel in exceptional circumstances and a process that demands a costing analysis with appropriate approvals is necessary when this happens. Then it will be absolutely clear who authorized that use and that they understood the cost associated with that usage.

We were also asked to consider whether there is a better model for reporting the costs of the aircraft. Our conclusion is that more information related to the costs of the program should be reported to the public so that Albertans understand the costs associated with these public assets. We also recommend that costs associated with each flight should be disclosed as part of government's existing disclosure of government aircraft flight manifests.

Edmonton Federal Building redevelopment plan—11th floor

Conclusion—The Office of the Premier became involved in the redevelopment plan for the 10th and 11th floors of the Edmonton Federal Building in May 2012. This resulted in a change in use of space on the 11th floor from open hosting space for government caucus to a premier's suite. The Department of Infrastructure accepted floor plans signed by the premier's executive assistant as the authorization to change the use and design of the 11th floor to a premier's suite and incur additional project design and construction costs. It accepted the plans even though this was a significant change in use of the space. The department told us that it viewed Premier Redford as the authorized decision maker for the 11th floor user group (cabinet and government caucus).

The Department of Infrastructure continues to build the floor plans for the 11th floor suite that the office approved in 2012. The only change that occurred relates to the planned use of the space. The government intends to use the side-by-side rooms for meeting space rather than residential space.

AUDIT SCOPE

Office of the Premier

The office is part of the Ministry of Executive Council and provides planning, communication and administrative support to the premier. For the purpose of this audit, we have defined the office to include the premier, Edmonton office, Southern Alberta office, communications group and correspondence group. There were 25 individuals working in the Edmonton office and five individuals working in the Southern Alberta office. Generally, the premier and the office's employees' travel and hospitality expenses within the province of Alberta are paid for by the Ministry of Executive Council.

Travel, meal and hospitality expense and public disclosure of travel and expense policies

The Government of Alberta announced a new travel, meal and hospitality expense policy on September 5, 2012.[3] Ministers and associate ministers, their staff, senior officials, deputy ministers and government employees are expected to comply with the policy. The government's stated purpose of the policy is to "provide a framework of accountability and rules to guide the effective oversight of public resources in the reimbursement and payment of travel, meal, hospitality and other expenses and allowances not addressed by regulations under the *Public Service Act*." The policy is intended to ensure fair and reasonable practices, and to ensure that individuals are properly reimbursed for expenses incurred on government business.

Also on September 5, 2012 the Government of Alberta announced its public disclosure of travel and expense policy. The government's stated purpose of this policy is to provide "a framework for the routine disclosure of expense information of government officials to enhance public confidence by improving accountability and transparency." The policies resulted in the public disclosure of expenses of ministers and associate ministers, their political staff, senior officials, deputy ministers and government employees who are in the executive manager classes.

Expenses of the Premier and the Office of the Premier

For purposes of this audit, we defined expenses to include travel, meal and hospitality expenses incurred by or on behalf of Premier Redford and office employees that were included on expense claims, credit cards and invoices paid directly through ministry accounts payable systems. We examined expenses processed by the Ministries of Executive Council and IIR.

We tested expenses incurred from October 2012 to March 2014. We chose October 2012 as the start of the period for our audit because that was when the Government of Alberta's existing expense and disclosure policies came into effect. We did not assess compliance with and the effectiveness of expense policies that existed prior to October 2012. The most relevant and effective use of our resources was to assess compliance with and provide advice on the effectiveness of the current policies. Any exceptions or advice we may have identified if we examined the previous policies would either have been corrected in the existing policies or still identified as a concern. We selected March 2014 as the period end date because that was when Premier Redford resigned.

[3] Government of Alberta news release can be found at http://www.alberta.ca/release.cfm?xID=3292498708A66-D739-A538-13B2E5F5B567961B

Our audit did not include an examination of:

- remuneration, employment benefits (including termination benefits) and vehicle allowances paid to the premier or the office's employees. We also excluded the costs of any vehicles provided to senior officials in the office. These costs were negotiated through employment contracts and other remuneration systems that were not part of the scope of this audit.
- expenses related to the premier's ground transportation fleet. These costs are not covered under the Government of Alberta's travel expense and disclosure policies so we excluded them from the scope of this audit.
- expenses for the premier's security. Security costs are not covered under the Government of Alberta's travel expense and disclosure policies so we excluded them from the scope of this audit.

International and interprovincial travel

The Ministry of IIR coordinates and pays for the office's international and interprovincial travel. The office decides where to travel, how to travel, where to stay and who is travelling. The ministry provides options to the office on the mode of travel and accommodations. The office considers the options presented and makes the final decision about the travel arrangements.

We were told by IIR that international travel involving the office occurs to advocate for Alberta's interests and can generally be summarized into three categories:

- the premier is invited to attend or speak at an event
- the premier leads a business delegation to a location where business opportunities exist for Alberta businesses
- the premier or a ministry within the Government of Alberta identifies a particular event or a specific opportunity within a market where strategically it is important for the Government of Alberta to tell its story and achieve a specific outcome

Use of government aircraft

The office requests use of the government aircraft through the Department of Treasury Board and Finance which has responsibility for the ATS program. The department approves flight requests from the office before the flights are scheduled. The request for usage of the government aircraft includes the location of the travel, the time of the travel and who will be travelling.

Timing of audit work and auditor responsibilities

We conducted our field work from March 2014 to July 2014. We substantially completed our audit on July 30, 2014. Our audit was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set by the Chartered Professional Accountants of Canada.

ADVICE ON TRAVEL, MEAL AND HOSPITALITY EXPENSE AND TRAVEL AND EXPENSE DISCLOSURE POLICIES

What we were asked to do

On March 4, 2014 Premier Redford asked us to review the Government of Alberta's September 20, 2012 travel, meal and hospitality expense policy[4] to ensure it provides a framework for the most effective and efficient use and disclosure of public resources in the course of mandated government business.

What we did

We reviewed the government's policy for travel, meal and hospitality expenses and for public disclosure of travel and expenses. The policies are the responsibility of the Department of Treasury Board and Finance and Department of Service Alberta, respectively.

As part of our review we:

- compared Alberta's expense policy to those of other jurisdictions
- reviewed the Office of the Premier's expenses for application of the policy and interpretation of the policy
- met with the Department of Treasury Board and Finance to understand changes management was considering for the expense policy and to identify the department's efforts to train staff on good travel practices

Our expectations for expense policies and reimbursement systems

Albertans do not expect public servants to subsidize their public service by personally paying for legitimate government business expenses. The public also expects that public servants should not be rewarding themselves at public expense when they are travelling on government business. Spending that provides or appears to provide a personal benefit is a risk that government needs to manage. To manage this risk, it needs strong policies and procedures in place to deal with business travel and related expenses.

A principles-based approach to expenses is useful for those situations that do not fall within the rules. In summary, the principles behind the Government of Alberta's expense policy are that plans and expenses for travel, meals and hospitality should:

- show prudent and responsible use of taxpayer dollars
- support government business objectives
- be necessary and economical, with due regard for health, safety and security
- be legitimately related to government business and reimbursed only upon approval
- be supported by approval before incurring expenses, where appropriate
- be properly explained and documented, reasonable and appropriate, and therefore able to withstand the scrutiny of the auditor general and the public

[4] The September 20, 2012 travel, meal and hospitality expense policy is available at http://www.finance.alberta.ca/business/planning-accountability/accountability/GoA-Travel-Meal-and-Hospitality-Expense-Policy.pdf

To be effective, government expense policies and procedures must:

- clearly describe what type of spending is acceptable and what is not acceptable
- set clear expectations and state guidelines for what is reasonable and appropriate
- outline a clear approval process for expenses
- deal effectively with expenses that commonly occur while also allowing for the possibility that exceptions will occur in unique circumstances

As a public sector employer, the Government of Alberta has a responsibility to develop expense policies that clearly state which expenses are and are not acceptable for reimbursement. It should also have good corporate systems, processes and guidance to implement its expense policies. Essentially these are part of the control framework of any well-run organization.

The control framework should include processes to ensure that everyone involved understands the policies and procedures and that those who are responsible for the policy are approving and monitoring expenses. The individuals responsible for this oversight include expenditure officers, accounting officers, senior financial officers and deputy ministers.

Individual employees should be aware of their responsibilities, too. The individual claiming the expense must certify that the expense was incurred to support government business, was a reasonable use of public resources and complied with the expense policies. An approver must also make the same certification.

Expense claims should include sufficient documentation to articulate the business purpose of the expense. If discretion is exercised the judgments should also be clearly documented. The aim is to provide sufficient documentation and explanation so that an independent person is able to assess why the expense was incurred and whether that expense was a reasonable use of public resources.

Individuals have a responsibility to ensure that policies and procedures are followed as they incur expenses while conducting government business. When an individual follows the corporate policies and procedures while incurring business expenses, the onus should be on the organization to publicly defend those expenses rather than placing that burden on the individual.

Our advice to the Government of Alberta on its expense policies and processes

a) Advice on expense policy

We have reviewed the Government of Alberta's September 20, 2012 travel, meal and hospitality expense policy. Below we have listed the sections or items of the policy where we believe the government should consider policy changes:

Section of the expense policy and/or item	Policy requirements	Advice to government
Section 6(4): Principles	Both claimants and approvers shall take the following principles into account in determining whether to make claims for and authorize reimbursements and allowances: • taxpayer dollars are to be used prudently and responsibly with a focus on accountability and transparency travel, meal, hospitality and other expenses must support government business objectives • travel, meal, hospitality and other expenses must be necessary and economical with due regard for health, safety and security • only legitimate and approved expenses incurred in relation to government business may be reimbursed • prior approval to incur expenses is obtained, where appropriate • claims should be able to withstand the scrutiny of the auditor general of Alberta and members of the public, properly explained and documented, reasonable and appropriate	While we agree with the principles outlined in the expense policy, we suggest they should be clearly articulated at the beginning of the document because they are the key component of the document.
Section 6(4)(c): Necessary and economical	Travel, meal, hospitality and other expenses must be necessary and economical with due regard for health, safety and security.	Further guidance should be developed on the type of documentation required to demonstrate that cost effectiveness was considered when discretion was applied and for exceptions to policy.

Section of the expense policy and/or item	Policy requirements	Advice to government
Section 6(6): Approval for reimbursements	The rationale for approval decisions must be documented for each claim where discretion has been exercised.	The level of documentation must be sufficient to enable the person approving the expense to understand the spending and decide whether it was a reasonable and appropriate use of public resources. The policy should also point out that good documentation protects those who spend public resources because it should make it clear that spending was economical and in support of a government business objective.
Section 8: Travel by air	(1) Economy class shall be used for all domestic flights, unless otherwise authorized by an Approver or otherwise permitted under this section. (2) An Approver may approve business class travel if a medical condition necessitates an upgraded travel class and a physician's note is provided prior to booking. (3) An Approver may approve business class travel for domestic or international flights stated to exceed four hours at time of booking.	We believe that public servants should travel economy class while within North America. When travel is outside of North America economy class travel should be used by public servants unless there is an identified business need or an identified personal health, safety or security requirement that exists. In all cases the upgrade should be pre-approved.
Section 8: Other travel routes or modes of transportation	(4) If an Approver has authorized transportation by a Claimant that is not the most direct, practical or cost-effective, the Claimant may claim the lesser of: a) the actual expense of the transportation; or b) an allowance equivalent to the expense of the most direct, practical and cost-effective route and mode of transportation.	The policy should more clearly articulate the government's position on how to deal with: • stopovers – stopping at another location on the way home or on the way to a location where government business is conducted • staying away over the weekend at a location either before returning home or travelling on to a location where government business will occur • side-trips – travelling from a location where government business will occur and then taking another trip to a different location and then either back to or on to another location where other government business will occur

Section of the expense policy and/or item	Policy requirements	Advice to government
Section 9: Meal expenses	(2) When travelling on Government Business, a Claimant may claim either: (a) the actual expense of the meal; or (b) the meal allowance.	Government should review its meal allowances to confirm they are a reasonable allowance or change the allowance. Separate allowances could be developed for different geographic regions of the province and for out of province travel. The policy should then emphasize that the allowance model is the government's preferred model because it is designed to allow public servants to purchase a reasonable meal while travelling for government business. The allowance replaces the need to submit evidence of an actual expense. Exceptions may occur where meals exceed the allowance; those should be reimbursed if they are reasonable and appropriate. However, an allowance system should be designed to cover the majority of meals incurred while public servants travel on government business. This section of the policy should also clearly articulate that if a public servant attends an event or otherwise has a meal provided to them while travelling that they should not claim a meal allowance for that meal.

Section of the expense policy and/or item	Policy requirements	Advice to government
Section 9: Accommodation expense	(8) When a Claimant is travelling on Government Business or attending a government sponsored pre-retirement seminar, and overnight accommodation away from the Claimant's residence is necessary, the actual expense of accommodation or an allowance at the rate set out in Appendix A [to the policy] may be claimed.	The Government of Alberta participates with the Government of Canada to obtain standing offers for hotel accommodations around the world. Alberta pays a portion of the cost for the Government of Canada to obtain the standing offers. The existence of the standing offers is not understood by all staff within the Government of Alberta and therefore the use of hotels on the standing offer list is not as much as it could be. The policy should state that use of the standing offers is the Government of Alberta's preferred approach while taking into account the location where staff will be working while travelling. This preferred approach could be modified for international travel where specific requirements may need to be met. In these cases these requirements should be documented to explain why alternative arrangements may be necessary. Making the most use of the standing offer for hotel accommodation will ensure that volume discounts continue to be realized in the future.
Regular review of expense policies	[The policy does not require regular reviews.]	A timeframe for the review of the policy should be identified within the policy.

b) **Oversight and monitoring**

Government departments should implement an oversight system that allows executive teams to monitor overall spending by individuals within the department and by minister's offices on travel and hospitality expenses. This type of summarized reporting could be produced by department senior financial officers and presented periodically to allow the executive teams to look at the reasonableness of the travel, meal and hospitality expenses and trends in spending over time. We have previously suggested a similar type of process in our February 2013 report where we reported on controls over expense claims, purchasing card transactions and other travel expenses at Alberta Health Services.

c) **Training**

In June 2014, the Department of Treasury Board and Finance provided travel management and expense training for minister and deputy minister offices. This program should also be provided to all those in government who travel regularly and to those who are responsible for making and approving travel arrangements.

d) **Centralized travel management**

Another alternative to manage travel within the Government of Alberta is the use of a centralized travel function within government. This option should be studied to assess whether a centralized travel management function would be more efficient and effective than the current decentralized model being used by the Government of Alberta.

e) **Analysis of government travel data**

As part of periodically reviewing the expense policy, the government should also analyze its travel expense and related data to consider whether there are further opportunities to improve the effectiveness of its travel spending. In 2013–2014, Government of Alberta departments spent $42.1 million on employee travel (2012–2013 – $39.5 million). By taking a corporate or a consolidated approach to examining its data, the government may be able to realize additional efficiencies that may not be available to individual government departments.

Table: Employee travel expenses within Government of Alberta departments

	2014 ($ millions)	2013 ($ millions)
Employee travel:		
Accommodation	13.1	11.7
Mileage	9.7	10.3
Meals	6.0	5.4
Other transportation	4.6	4.2
Airfare within Alberta	3.9	3.4
Out of country airfare	2.1	1.8
Out of province airfare	1.7	1.9
Vehicle rental	1.0	0.8
Total	**42.1**	**39.5**

Disclosure of travel and expense policy

The Government of Alberta's September 20, 2012 travel and expense disclosure policy applies[5] to:

- ministers, associate ministers and their political staff
- senior officials appointed by an order in council and paid by the Government of Alberta
- deputy ministers
- employees as defined under the *Public Service* Act, who are in the executive manager classes

The policy requires[6] the public disclosure of expense reports, including:

- the name and position of the discloser
- the date of the transaction giving rise to the expense
- the amount of the expense
- the category of each expense
- a description of the rationale for each expense
- receipts for each reimbursed expense

The disclosure makes the expense claims of individuals transparent by allowing the public to see the expense claims of senior individuals in government. This is good. But those who look at this information should understand that disclosure of expense without the context of the expense and an understanding of the results achieved through the use of public money has its limitations. To emphasize this point, the use of taxpayer dollars to pay for what may seem like reasonably priced travel can appear through the disclosure to be a prudent and appropriate use of public resources. However, if no business objective or result was achieved through that expense the existing disclosure would not provide the information necessary to identify that.

We highlight this not to suggest that more disclosure is required or that the disclosure should be discontinued but simply to point out its limitations.

Now that the policy has been in place for almost two years, the government should consider whether the disclosure is achieving the desired results for the costs incurred to provide the disclosure.

[5] Public disclosure of travel and expense policy, section 3.
[6] Public disclosure of travel and expense policy, section 6.

OFFICE OF THE PREMIER'S EXPENSES AND USE OF GOVERNMENT AIRCRAFT

Oversight of Office of the Premier's expenses and use of government aircraft

Background

Our audit of the Office of the Premier's expenses encompassed the period from October 2012 to March 2014. The Government of Alberta's September 20, 2012 travel, meal and hospitality expense policy[7] applies to all government ministers and employees, including the premier and all employees in the Office of the Premier. This policy came into effect in October 2012. Although the policy itself is the responsibility of the Department of Treasury Board and Finance, the ministries of Executive Council and IIR are responsible for approving expenses incurred by the premier and office staff.

The government's expense policy (Section 6(4)) outlines six guiding principles for incurring and reimbursing travel, meal and hospitality expenses:

- taxpayer dollars are to be used prudently and responsibly with a focus on accountability and transparency
- travel, meal, hospitality and other expenses must support government business objectives
- travel, meal, hospitality and other expenses must be necessary and economical with due regard for health, safety and security
- only legitimate and approved expenses incurred in relation to government business may be reimbursed
- prior approval to incur expenses is obtained where appropriate
- claims should be able to withstand scrutiny by the auditor general of Alberta and members of the public; properly explained and documented; reasonable and appropriate

[7] The policy is available at http://www.finance.alberta.ca/business/planning-accountability/accountability/GoA-Travel-Meal-and-Hospitality-Expense-Policy.pdf

The approval process is discussed in Section 6 of the policy and allowable expenses under the expense policy are set out in Sections 8 through 13.

Item	Source section of policy	Travel, meal and hospitality expense policy requirements
Approval for reimbursement	Section 6	(2) The following individuals may approve reimbursements as follows: a) deputy heads or their designates, for senior officials under Section 3(1)(b) and employees under their administration or within their ministry; b) Ministers or Associate Ministers or their designates, for deputy heads under their administration; and c) for all other Claimants, the individuals to whom they immediately report or whom otherwise have been designated by a Minister, Associate Minister or deputy head. (3) Unless otherwise set out in this policy, a Claimant must submit: a) detailed itemized receipts; or b) a written statement signed by the Claimant and the Approver and attesting: i. that the expense was incurred and related to Government of Alberta business, ii. that the expense has not been claimed previously, and iii. to why a receipt cannot be provided, for reimbursement of expenses. (5) Approvers are accountable for their decisions, which must be: a) subject to good judgment and informed knowledge of the situation; b) exercised in appropriate circumstances; and c) compliant with the principles and requirements set out in this policy. (6) The rationale for approval decisions must be documented for each claim where discretion has been exercised.
Travel by air	Section 8	(1) Economy class shall be used for all domestic flights, unless otherwise authorized by an Approver or otherwise permitted under this section. (3) An Approver may approve business class travel for domestic or international flights stated to exceed four hours at time of booking. (4) If an Approver has authorized transportation by a Claimant that is not the most direct, practical or cost-effective, the Claimant may claim the lesser of: a) the actual expense of the transportation; or b) an allowance equivalent to the expense of the most direct, practical and cost-effective route and mode of transportation.

Item	Source section of policy	Travel, meal and hospitality expense policy requirements
Meal expenses	Section 9	(2) When travelling on Government Business, a Claimant may claim either: a) the actual expense of the meal; or b) the meal allowance. (3) The actual expense of the meal is the amount shown on the bill, excluding alcoholic beverages, plus a gratuity of up to 20 per cent. (4) The meal allowances are set out in Appendix "A" [to the policy].
Accommodation expenses	Section 9	(8) When a Claimant is travelling on Government Business or attending a government sponsored pre-retirement seminar, and overnight accommodation away from the Claimant's residence is necessary, the actual expense of accommodation or an allowance at the rate set out in Appendix "A" [to the policy] per night may be claimed.
Working sessions	Section 11	(1) A Claimant may claim reimbursement of Working Session Expenses. (2) An Approver shall pre-approve in writing any Working Session Expenses of $1,500 or over before any arrangements are made. Such approvals may not be given by a deputy head's designate. (3) An Approver, other than a deputy head's designate, may delegate the approval of Working Session Expenses below $1,500.
Hospitality events	Section 13	(1) A Claimant may claim Hospitality Expenses if the hospitality: a) is provided in an economical and consistent manner; b) facilitates Government Business; and c) is considered desirable as a matter of courtesy or protocol (3) Hospitality Expenses: a) involving the serving of alcohol, or b) of $600 or more, require prior written approval (4) Approvals under Subsection (3) shall only be given: a) by a minster, associate minister or deputy head; b) before any arrangements are made; and c) in cases where alcohol is provided, where the arrangements ensure the alcohol is provided in a responsible manner (e.g., food must always be served).

RECOMMENDATION 1: OVERSIGHT OF PREMIER'S OFFICE EXPENSES AND USE OF GOVERNMENT AIRCRAFT

We recommend that the Treasury Board:

- establish a process to provide oversight through monitoring of the Office of the Premier's expenses and usage of government aircraft
- consider what type of oversight should be used for the expenses of ministers' offices

We have made our recommendation to the Treasury Board rather than to the ministries of Executive Council and IIR because, in our opinion, it can best determine where responsibilities for providing oversight of the Office of the Premier's expenses and use of government aircraft should be placed. The Treasury Board is a committee of cabinet ministers and government Members of the

Legislative Assembly that exists under the authority of the *Financial Administration Act*. The board has a general duty to oversee the financial affairs of the Crown.

Criteria: the standards for our audit

The Office of the Premier and ministries of Executive Council and International and Intergovernmental Relations should have adequate processes to ensure the premier and office employees' travel, meal and hospitality expenses and use of government aircraft:

- comply with government policies
- are appropriately approved
- are supported by adequate documentation
- are appropriately disclosed in accordance with government policies

Our audit findings

KEY FINDINGS

- The office did not comply with the expense policy because those who were responsible for approving expenses did not document their rationale for key decisions that impacted travel costs. These key decisions included the type and class of transportation used by and the standard of accommodation provided to Premier Redford and office staff.
- The government does not require a premier to certify that costs incurred by a premier or on behalf of a premier are for government business and are a reasonable use of public resources.
- There was no formal oversight structure to monitor the office's travel expenses and use of government aircraft.
- Government aircraft policy was not followed. There was personal use and partisan use of the aircraft by Premier Redford.

a) Observations and finding on the office's expenses

We reviewed the travel, meal and hospitality expenses Premier Redford and her office staff incurred from October 2012 to March 2014, to assess whether those expenses complied with the government's travel, meal and hospitality policy. Our review included examining signed expense claims with the attached receipts, credit card reports with attached receipts and other supporting documentation associated with the expenses.

Table: Travel, meal and hospitality expenses of the office from October 2012 to March 2014

	Premier Redford	Mr. Farouk Adatia[8]	Mr. Ryan Barberio[9]	Mr. Brad Stables[10]	Mr. Stefan Baranski[11]	Other staff[12]	Total
Airfare							
Domestic	$ 41,605	$ 27,261	$ 16,618	$ 22,161	$ 13,916	$ 39,371	$ 160,932
International	74,282	30,887	5,220	67,357	18,718	11,595	208,059
Total[13]	115,887	58,148	21,838	89,518	32,634	50,966	368,991
Accommodations							
Domestic	12,739	4,779	1,997	16,599	12,568	46,727	95,409
International	20,822	6,706	1,382	13,192	5,367	4,966	52,435
Total	33,561	11,485	3,379	29,791	17,935	51,693	147,844
Other travel costs[14]	2,975	8,981	3,095	2,705	10,802	68,181	96,739
Total travel	$ 152,423	$ 78,614	$ 28,312	$ 122,014	$ 61,371	$ 170,840	613,574
Non-travel							
Hosting events							23,336
Working sessions							11,348
Corporate events							8,049
Other non-travel							3,383
Total							46,116
Total expenses							$ 659,690

We found the office submitted detailed receipts for travel expenses and that the expenses were approved by the appropriate people. However, we found the office did not always provide sufficient information as to the government purpose of the expenses and did not document the rationale when the approver exercised discretion. By discretion we mean when a choice is made between alternatives that have a different cost. Without proper documentation, the office could not demonstrate to us that the expenses were economical, considering all factors. In these instances where the documentation was not sufficient, the office did not comply with the travel, meal and hospitality expense policy.

[8] Chief of Staff to Premier Redford, May 2012 to March 2014
[9] Executive Assistant to Premier Redford, October 2011 to March 2013
[10] Executive Assistant to Premier Redford, April 2013 to March 2014
[11] Director of Strategic Communications for Premier Redford, September 2012 to March 2014
[12] Other staff includes 36 individuals who either worked in the office or had expenses related to the office paid for through the ministries of Executive Council or IIR.
[13] The total airfare expenses do not include the cost of the office's use of government aircraft.
[14] Other travel costs includes expenses for meals, travel by third-party vehicles and other items that are not air travel and accommodation costs.

We compared expense claims with the following sections in the travel, meal and hospitality expense policy, to conclude on whether the office complied with that section of the policy.

Title	Applicable expense policy section	Audit conclusion on sections of the policy
Adequate supporting documentation	Section 6	Did not comply
Approval of expenses	Section 6	Did not comply
Travel by air	Section 8	Did not comply
Meal expenses	Section 9	Complied
Accommodation expenses	Section 9	Did not comply
Working sessions	Section 11	Complied
Hospitality events	Section 13	Complied

i) *Adequate supporting documentation*

The expense policy requires:

- detailed itemized receipts or a written statement signed by the claimant and the approver attesting that the expense was incurred and related to Government of Alberta business, that the expense has not been claimed previously and why a receipt cannot be provided (Section 6(3))
- the rationale for approval decisions must be documented for each claim where discretion has been exercised (Section 6(6))

We found good compliance with submitting receipts for the expenses we examined, including detailed, itemized receipts for meal expenses. There were very few missing receipts; when a receipt was not available, a missing receipt form was submitted. We also found examples where a missing receipt form was completed even though the policy did not require a receipt.

However, the level of information on the business purpose of the expense was inconsistent in the documents that we examined. For some restaurant expenses, the documented purpose stated whom staff met with and the purpose of the meeting. In other examples, the documented purpose was meeting with stakeholders, without saying whom staff met with or the purpose of the meeting. We also saw generic terms such as "meeting" or "meeting in Edmonton" for the purpose of the government travel.

The policy requires that when an approver exercises discretion allowed under the policy, the rationale for the decision must be documented. We did not find supporting documentation explaining the rationale for travel expenses when discretion was used. In looking at the expenses, we found that the key judgments made with respect to Premier Redford's and the office's travel were typically:

- decisions to fly commercial or use government aircraft
- decisions to fly business class versus economy
- decisions to patronize certain hotel vendors
- the type and standard of accommodation provided to Premier Redford

Documentation of these decisions would have provided context as to why these discretionary decisions were made at the time they were made.

ii) *Approval of expenses*

The expense policy states in Section 6(5) that approvers are accountable for their decisions and that those decisions must be:

- subject to good judgment and informed knowledge of the situation
- exercised in appropriate circumstances
- compliant with the principles and requirements set out in the policy

Section 6(6) of the policy goes on to state that the rationale for approval decisions must be documented for each claim where discretion has been exercised. A principle of the policy is that prior approval to incur expenses is obtained where appropriate (Section 6(4)(e)).

We found that the rationale for approval decisions where discretion was exercised was not explained in the documentation we examined. We found no pre-approvals for business class air travel.

From a process perspective, the deputy minister of Executive Council approved the few travel expenses submitted by Premier Redford through an expense claim that amounted to approximately $2,000. Her executive assistants paid for the majority of the premier's travel expenses and the chief of staff approved these expenses. The Ministry of IIR purchased most out-of-province airline tickets for the premier's office; senior staff within the Ministry of IIR approved those expenses. The premier's chief of staff and the deputy minister of Executive Council approved each other's travel expenses. The other staff at the office submitted their travel expenses to their supervisors.

Having a premier's travel expenses incurred and approved by many different staff across multiple ministries is not ideal. This type of system does not require personal responsibility by the premier for the expenses. A process that requires the premier and cabinet ministers to personally certify the expenses they incur, and that others incur on their behalf, would improve personal responsibility and awareness of the costs of travel.

iii) *Travel by air*

The expense policy (Section 8) requires that economy class be used for all domestic flights. An approver may approve business class travel for domestic or international flights stated to exceed four hours at time of booking. We have interpreted this approval requirement to mean that pre-approval would be required for an upgrade to business class which is consistent with the principles of the policy. An approval given after the expense for upgrading has been incurred is a significantly less effective control.

Premier Redford and her executive assistants usually travelled business class. They generally would only fly economy when that was the only class of fare available on the flight. The chief of staff flew economy and business class. We found examples of staff that would fly business class on one occasion to a location and then economy class the next time they flew to that location. We also found examples of staff that only flew economy class.

We did not find documentation explaining the business reasons for upgrades to business class travel or pre-approvals for these upgrades. The Executive Protection Unit (the premier's security) supplied documentation outlining reasons Premier Redford should fly business class. We concluded that this documentation provided the necessary rationale for the deputy minister of Executive Council to pre-approve business class travel for the premier. With the appropriate pre-

approvals, it would seem reasonable for her executive assistants to fly at the same level of service as the premier. However we did not find pre-approvals documented for this upgrade for Premier Redford and her executive assistants.

Premier Redford and her executive assistants usually travelled on full business class fares. The restricted business class fare is a lower cost option. In the documentation we examined, the full business class fare was typically two to four times greater than the restricted business class fare. The main differences between the two ticket options relate to the cost of cancellations and flight changes. Government should consider if the additional flexibility of full business class fares is worth the significant additional cost.

When the approved transportation is not the most direct, practical or cost-effective option, the expense policy (Section 8(4)) requires that the claimant claim the lesser of the actual expense of the transportation or an allowance equivalent to the expense of the most direct, practical and cost-effective route and mode of transportation.

We found examples where the office's staff extended their stay at the travel location, made a side-trip to another location during the trip or had a personal stopover on their return flight to Alberta. We did not see a process or documentation at either ministry to assess whether the personal components of these trips resulted in additional costs to the government.

On the India/Switzerland mission in January 2014, Premier Redford's planned travel to Afghanistan was cancelled. Her next scheduled event was two days later in Zurich, Switzerland. The premier, chief of staff and executive assistant flew from New Delhi to London for two days on the weekend. The premier and executive assistant then flew from London to Zurich, while the chief of staff returned to Calgary from London. They personally paid for hotels and meals while in London.

While the three chose to layover for two days in London, the approver did not complete or document analysis to determine if the government incurred additional costs for air travel because they did not fly from New Delhi directly to Zurich or layover in New Delhi for two more days before travelling directly to Zurich. We did not find evidence that the three claimants or the ministries assessed whether there was a cost difference between the most direct, practical and cost-effective route and the one they took.

iv) *Meal expenses*

The expense policy (Section 9(2)) allows a claimant either to claim the actual expense of the meal or the meal allowance listed in the policy while travelling on government business. We reviewed all the meal claims and found these expenses to be reasonable. There were detailed receipts provided for the meals. Any personal purchases of alcohol were clearly identified and the government was reimbursed for the cost of the alcohol.

v) *Accommodation expenses*

The expense policy (Section 9(8)) allows for reimbursement of the actual accommodation costs. The policy does not contain a dollar threshold for accommodation, does not provide guidance on the standard of room that should be booked and does not require use of the Government of Alberta's standing offer for hotels throughout the world. The travel policy does state that taxpayer dollars should be used prudently and responsibly and that travel expenses must be economical.

The Government of Alberta has partnered with the Government of Canada to maintain a standing offer for hotel accommodation throughout the world. We did not see evidence that the office used these standing offers, particularly for travel within Canada where use of the standing offers should have occurred. We found a range of expenses for accommodation both in Alberta and outside the province. Within Canada, the accommodation expenses were reasonable except for some instances of higher cost rooms in Calgary, Ottawa, Toronto and Vancouver that ranged from $302/night to $635/night.

Accommodation expenses on international trips were higher. For travel outside of Canada, the room rates varied from $176/night to $825/night. We did find the cost for Premier Redford's room was often considerably higher in comparison to the accommodation costs for other staff travelling with her to the same location and staying at the same hotel. The premier's staff told us that the increased costs could be based on a variety of factors such as booking a larger hotel room to allow her to hold meetings in her room instead of booking a meeting room.

In the documentation we examined, we did not find any explanations for booking a particular class or standard of room. We expected to find some documentation of Premier Redford's accommodation requirements, especially on international trips where the Ministry of IIR staff had completed advance planning for trips and arranged for accommodation. The government should set guidelines for the premier's level of accommodation. This would provide guidance to IIR staff who book accommodations.

Premier Redford and office staff often stayed with one major hotel chain. Although the rate was favorable in some instances, there was no documentation showing a price comparison with other hotel providers on the standing offer list to see if a better rate could be obtained from a competitor. In essence, the office's staff negotiated rates with one hotel chain when the Government of Alberta already maintained standing offers for various hotels.

vi) *Working sessions, hospitality events and corporate events*
The expense policy allows for expenses for working sessions, hospitality events and corporate events. We reviewed all working session, hospitality and corporate event expenses for staff of the office. A significant number of these expenses were for working sessions that were non-travel meal expenses at a commercial establishment incurred while conducting government business. All the expenses submitted for reimbursement or payment had proper detailed itemized receipts.

Our only observation in this area was hospitality expenses over $600 in Calgary were approved after the event. The policy requires pre-approval of such expenses by the deputy minister of Executive Council. This happened on two occasions.

b) **Observations and findings on the office's travel and expense disclosure**
We reviewed the travel, meal and hospitality expenses of the office and confirmed that they have been properly disclosed in accordance with the Government of Alberta's September 20, 2012 travel and expense disclosure policy.

c) **Observations and findings on the office's use of government aircraft**

We reviewed the office's use of government aircraft from October 2012 to March 2014 to assess whether the office complied with the Department of Treasury Board and Finance's policies for Air Transportation Services.

Table: Premier Redford's use of government aircraft from October 2012 to March 2014

Destination	Number of legs flown to the destinations
Edmonton	90
Calgary	105
Other Alberta destinations with commercial options	24
Other Alberta destinations without commercial options	20
Vancouver	2
Kelowna	1
Winnipeg	2
Ottawa	1
Toronto	1
Scottsdale, Arizona	1
Total	**247**

i) *Use of government aircraft to fly to locations for non-government business*

We found a number of examples where Premier Redford used government aircraft to fly to locations where:

- a government event and a partisan event occurred on the same day. This occurred five times. We also found three examples where Premier Redford travelled on government aircraft to locations where only partisan events occurred at that particular location.
- government business and personal business occurred. We identified two trips that had a greater personal component to the trip than a business purpose.

When we reviewed the trips to partisan events it was not clear to us what the primary purpose of the travel was for. Office staff told us that the dates for Progressive Conservative Party fundraising dinners held throughout the province are well known in advance. The office scheduled government related activities for the same dates and locations where the dinners were held. Conversely we were also told that if Premier Redford was attending a government activity in a community, a party related activity such as a meet and greet might be scheduled to coincide with her visit.

We found that processes did not exist to identify and cost the partisan use of government aircraft when that use occurred together with government business.

Following are dates and locations where Premier Redford flew on government aircraft and attended a partisan event.

Event	Date	Location	Was government business also conducted at the location?
Southern Alberta Leader's Dinner	October 18, 2012	Lethbridge	Yes
Northern Alberta Leader's Dinner	October 25, 2012	Grande Prairie	No
Calgary Leader's Dinner	April 11, 2013	Calgary	n/a[15]
Progressive Conservative Association of Alberta Board of Directors Meeting	June 15, 2013	Red Deer	No
Southern Alberta Regional Golf Tour	August 26, 2013	Lethbridge	No
Progressive Conservative Party Youth Summit	September 28, 2013	Red Deer	Yes
Fort McMurray Leader's Dinner	October 3, 2013	Fort McMurray	Yes
Southern Alberta Progressive Conservative Association of Alberta Leaders Fall Harvest	October 10, 2013	Medicine Hat	Yes

We found that, on October 25, 2012, Premier Redford flew on a government aircraft to Grande Prairie to attend the Northern Alberta Leader's Dinner. We reviewed Premier Redford's schedule for that day and did not identify any government business scheduled in Grande Prairie.

We also found that, on June 15, 2013, Premier Redford flew on a government aircraft to Red Deer to attend a Progressive Conservative Association of Alberta Board of Directors meeting. We reviewed Premier Redford's schedule for that day and did not identify any government business scheduled in Red Deer.

We found that, on August 26, 2013, Premier Redford flew on a government aircraft from Calgary to Lethbridge to attend a Progressive Conservative Party golf event. She returned to Calgary on the same date. We reviewed Premier Redford's schedule for that day and did not identify any government business scheduled in Lethbridge.

On three of the eight dates in the table above, multiple government aircraft flew to the same destination as the partisan event.

We examined trips by Premier Redford on government aircraft to Vancouver in March 2013 and to Jasper in June 2013. We concluded that there was a greater personal time component to these trips than a government business component.

[15] Premier Redford has a residence and government offices in Calgary. Therefore, we concluded that travel to Calgary was acceptable.

In March 2013, Premier Redford, her daughter and a special assistant to the premier used a government aircraft to travel from Calgary to Vancouver to attend the funeral of the premier's uncle. Staff within the office told us that once a decision was made to use the government aircraft for the Vancouver trip, two meetings were subsequently scheduled in Vancouver. Premier Redford attended two government business meetings while she was in Vancouver between Friday, March 22, 2013 and Monday, March 25, 2013.

The full cost to the government of the Vancouver trip was $1,054 for hotels and $4,609 for use of the government aircraft.[16] Premier Redford repaid $184 for the cost of one night of hotel accommodations and $1,440 ($720 each for her and her daughter) for the estimated cost of two commercial airline tickets.

We also examined Premier Redford's trip to Jasper in June 2013. She travelled from Calgary to Jasper on a government aircraft with her daughter, daughter's friend and executive assistant. The cost to the government of this trip was $2,732 plus the cost of using the government aircraft which was $3,029.[17] Premier Redford attended three meetings at the Jasper Park Lodge while she was there between Friday, June 28, 2013 and Sunday, June 30, 2013. She met with officials from the Fairmont hotel, staff from Jasper National Park and a local artist. The government has not recovered any costs associated with this trip.

Through our review of these trips we did not see any analysis that attempted to estimate the personal versus business costs or the business versus partisan costs of these trips when the government approved and paid for those expenses.

ii) *Premier Redford's daughter flying on government aircraft*
Premier Redford's daughter flew on government aircraft 50 times from September 2011 through to March 2014. On two of these trips, the daughter flew on government aircraft without the premier. The daughter was accompanied four times by a friend.

The Department of Treasury Board and Finance's ATS policy:

- lists the premier and invited guests as eligible passengers that can travel on government aircraft
- requires all requests for use of the government aircraft be subject to approval by the President of Treasury Board and Minister of Finance or persons authorized by the minister, based on appropriate use, cost effectiveness, aircraft availability and absence of scheduled commercial service

Because the aircraft are government assets (i.e., a public resource), we interpret the policy to mean that any use that is not intended to support a government business objective would be inappropriate. This interpretation is consistent with the principles related to spending public resources, as stated in the travel expense policy. The ATS policy does not clearly define "invited guests" or in what circumstances they may be on the aircraft. The ATS policy does not clearly state in what circumstances family members may be allowed to travel on government aircraft or whether such personal benefits must be paid for personally. We did not find any documented government business reason for Premier Redford's daughter's travel on government aircraft.

[16] The cost of using the government aircraft for travel to Vancouver was estimated by the Department of Treasury Board and Finance.
[17] The cost of using the government aircraft for travel to Jasper was estimated by the Department of Treasury Board and Finance.

We conclude that Premier Redford obtained a personal benefit by having her daughter accompany her on government aircraft. The government's ATS usage policy does not provide clarity on dealing with personal benefits from the use of government aircraft. For example, the policy should state whether this type of use is allowed, in what circumstances it is allowed and whether any costs should be recovered from the individual for this use.

The existing ATS policy does not include the procedures necessary to ensure that other government aircraft users are not bumped from the aircraft in favor of family members of a premier or other elected officials; nor does it place a value on the personal benefit being obtained and require reimbursement of that personal benefit. These processes would prevent an individual's decision to use government aircraft from being influenced by a personal benefit that the individual receives.

In each of the examples below, Premier Redford's daughter accompanied her; we do not know what influence this had on the decision to use government aircraft. Premier Redford told us she did not specifically request the government aircraft in each of these examples. However, the request, in all cases, came from her office.

- In December 2012, Premier Redford was booked on a commercial aircraft at a cost of $1,252 to fly to the Western Governors Association in Scottsdale, Arizona. The booking was cancelled and she flew on a government aircraft. The commercial flight and the government aircraft were both scheduled to leave on the same day within a few hours of each other. The passengers on the government aircraft were the premier, her daughter and one security officer. We found no documentation to explain why the government aircraft was used when a commercial flight was already paid for. We also noted that four government officials, including the premier's executive assistant, flew commercially to attend this event. Although they flew a day earlier than the premier and flew back to Alberta on the same day as the premier, there was no process to try to coordinate their travel to reduce the cost. The department's estimated cost of using government aircraft on the trip was $10,684.

- In April 2013, Premier Redford used government aircraft to fly from Palm Springs to Calgary to attend Premier Klein's memorial service. Her office identified available commercial flights to return Premier Redford to Alberta. Staff involved in scheduling that flight told us that Premier Redford insisted on using government aircraft for the return flight. The premier's daughter was also a passenger on the return flight. The department's estimated cost of using government aircraft to pick up Premier Redford and return to Alberta was $10,603.

- In July 2013, Premier Redford attended a Council of the Federation meeting in Niagara-on-the-Lake. The Ministry of IIR initially made inquiries to fly the Alberta delegation commercially to Toronto. However, the office decided to use government aircraft to fly to Toronto. Office staff told us it was more convenient to use the government aircraft and they did not consider the cost. Premier Redford's daughter and her daughter's friend also flew on the government aircraft for that trip. Several government officials flew back commercially the day before or the day after the government aircraft's return flight to Alberta. There were seats available on the government aircraft. There was no documentation showing that government aircraft was the best option for attending the conference or a process for coordinating the return travel from the event. The department's estimated cost of using government aircraft on this trip was $13,892.

The processes to ensure cost effective use of government aircraft for out of province travel need improvement. The office made decisions to travel on government aircraft instead of using commercial aircraft for out of province travel. We do not know, considering all of the factors, if the best travel option was selected because there was no analysis done on the options available.

iii) *Block booking of government aircraft*

The Government of Alberta has an internal website showing scheduled flights for government aircraft for the next 21 days including the number of available seats on the aircraft. This information is provided to government employees to facilitate use of the aircraft. Office staff and multiple staff from the department of Treasury Board and Finance told us that for certain flights the remaining seats available on the aircraft were blocked to restrict access to anyone other than Premier Redford and her staff.

Staff had different recollections regarding when this process began. We were unable to determine when this process began because there was no documentation created in most cases. The premier's office staff would send a flight request form to the department's ATS flight coordinator, who had responsibility for authorizing use of the aircraft. Once approved, the flight request form was provided to the ATS program staff who entered false placeholder passengers (not identified by an individual's name but listed for example as passenger 5, passenger 6, passenger 7, etc.) into the ATS booking system to fill the seats and then removed the passengers from the system before printing the aviation trip sheet.[18]

We were able to find documentation for 12 flights that had seats blocked between January 2014 and March 2014 because the aviation trip sheets still had the false placeholder passengers listed. They had been crossed off manually; they had not been removed. The implication of this practice was that other government employees or elected officials would not have been able to travel on those aircraft.

Both Premier Redford and the former chief of staff denied any knowledge of the block booking practice. However, based on our interviews, the idea for restricted access to the aircraft came from the office.

d) *Travel to South Africa*

We examined Premier Redford's travel to South Africa in December 2013 for the Nelson Mandela memorial service. The federal government, through the Prime Minister's office, invited Premier Redford to join the Canadian delegation that went to South Africa. The office received the invitation late afternoon on Friday, December 6, 2013. The chief of protocol confirmed by email at 5:00 p.m. that the premier would attend.

The office was advised that there was only space for Premier Redford on the federal government's aircraft and she was required to be in Ottawa on Sunday by 4:00 p.m. to meet the 5:00 p.m. departure time of the plane. The federal government informed the office that hotels, ground transportation, and security were in place for the delegation in South Africa.

We examined the documentation and interviewed the staff involved in making the travel arrangement.

[18] The aviation trip sheet is printed and provided to the aircraft flight crew to document the passengers that were on the flight.

We found:

- the Ministry of IIR informed the office on Saturday that a commercial flight available with business class from Calgary to Ottawa would get Premier Redford there before 4:00 p.m. The office decided to take the government aircraft to Ottawa.
- Premier Redford decided to bring her executive assistant to South Africa, even though, as we noted from our review of the documentation, the federal government had taken care of the on-ground logistics.
- Premier Redford decided to return to Canada on a commercial airline instead of on the federal government aircraft

We interviewed Premier Redford, who told us the following:

- she did not personally decide to take the government aircraft to Ottawa
- she required her executive assistant to be with her in South Africa
- it was important for her to return to Alberta as soon as possible to swear in the new cabinet on Friday, December 13, 2013

The cabinet shuffle had been announced on Friday, December 6, 2013. In both cases, flying home on a commercial aircraft or flying home on the prime minister's aircraft and then ATS aircraft would have allowed her to attend the swearing in of the new cabinet.

e) *Repayment of expenses by Premier Redford*

In March 2014, Premier Redford provided two cheques for $44,254 and $3,156 to the Department of Treasury Board and Finance to reimburse the government for the following expenses.

Table: Premier Redford's repayment of expenses

Expenses related to Nelson Mandela's memorial service	
Premier Redford's return flight from South Africa	$10,238
Brad Stables' flight to and from South Africa	19,024
Government aircraft flight to and from Ottawa	14,992
Total amount of cheque	**$44,254**

Expenses related to the use of the government aircraft and other expense[19]	
Travel on government aircraft by Premier Redford's daughter's friends:	
Calgary to Hinton – September 28, 2012	$148
Hinton to Calgary – September 30, 2012	148
Calgary to Hinton – June 28, 2013	148
Hinton to Calgary – June 30, 2013	148
Calgary to Toronto – July 21, 2013	400
Calgary to Edmonton – August 27, 2013	270
Edmonton to Calgary - August 28, 2013	270
Sub-total	$1,532
Travel on government aircraft to family funeral:	
Calgary to Vancouver – March 22, 2013	$720
Vancouver to Calgary – March 25, 2013	720
Vancouver hotel expense for one night	184
Sub-total	$1,624
Total amount of cheque	**$3,156**

[19] Where commercial air service was available, a commercial rate for the flight was used. Where commercial air service is not available, the calculation was based on mileage and the ATS variable costs.

We verified that each cheque was a personal cheque from Premier Redford and that those funds were deposited into the Government of Alberta's bank account.

Implications and risks if recommendation not implemented

Those who work in the Office of the Premier have considerable influence over the way business is conducted within that office and also within the public service. Because of this significant influence, the Government of Alberta needs to have a proper check and balance system established to oversee the spending by that office to ensure that expenses and use of government aircraft are appropriate. Without a system that provides oversight through monitoring of the spending of the office underpinned by clear corporate policies and procedures, the risk will remain that those in the office can use their influence to spend public resources inappropriately or inappropriately use public assets.

AIR TRANSPORTATION SERVICES PROGRAM

Background on Air Transportation Services program

The Government of Alberta established Air Transportation Services in the early 1970s to conduct aerial surveying and support forestry and forest fire operations. Since then, ATS has been used primarily to transport elected officials and government employees, and for emergency management and disaster response. Its stated objective is to provide government-wide value by delivering safe, efficient and cost-effective air transportation services to the Government of Alberta and its agencies, boards and commissions.

A business unit within the Department of Treasury Board and Finance, ATS operates four aircraft. It purchased two seven-passenger King Air B200s for $5.9 million each in 2006 and a nine-passenger King Air 350 for $6.5 million in 1997. The King Airs can land on short strips of the kind typically found throughout Alberta. ATS also operates a 36-passenger de Havilland Dash-8 purchased in 1985 for $6.9 million.[20]

Make	Model	Model Year	Purchase price	Flight time (as of May 2014)
de Havilland	DHC-8 103	1985	$6.9 million	7,674 hours
Beechcraft	King Air 350	1997	$6.5 million	6,879 hours
Beechcraft	King Air B200	2006	$5.9 million	2,956 hours
Beechcraft	King Air B200	2006	$5.9 million	2,953 hours

The ATS business unit has 26 staff including pilots, engineers, flight attendants and administration staff. It had operating expenses of $8.1 million, $6.7 million and $6.1 million for fiscal years 2013–2014, 2012–2013 and 2011–2012, respectively.[21] Most of the ATS operating costs are fixed, such as staff salaries, the cost of the aircraft, and replacement and upgrade of major components (such as the engines and navigation systems). The main variable costs are for fuel, maintenance and airport landing fees. The relatively fixed nature of the costs means that the cost of the service does not increase in proportion to the number of flights within the fleet's capacity.[22]

The aircraft can land at 120 airports throughout Alberta – most of which are not served by commercial airlines. The aircraft are flown to many destinations where scheduled commercial services[23] are available, such as Calgary, Lethbridge, High Level, Medicine Hat, Lloydminster, Fort McMurray, Grande Prairie, Peace River and Rainbow Lake. ATS also flies to many destinations that do not have scheduled commercial service.

In 2013, ATS moved its operations from the Edmonton City Centre Airport to the Edmonton International Airport.

---

[20] The department provided this information to us in May 2014.
[21] Alberta Treasury Board and Finance Annual Reports
[22] *Annual Report of the Auditor General of Alberta 2004–2005*, p. 250.
[23] Scheduled commercial service refers to carriers such as Air Canada and WestJet.

Recommendation—Program evaluation

Background

In 2012, the Government of Alberta introduced results-based budgeting, a process to assess whether the government is delivering programs and services in the most effective and efficient way. As part of this budgeting approach, the department reviewed ATS and decided that it is a valuable strategic asset that should:

- continue to exist
- expand its services to lower both overall and per-person costs
- move to the Edmonton International Airport
- enhance user policies that help ensure forms of travel considered are timely, productive and cost effective[24]

RECOMMENDATION 2: CONDUCT PERIODIC AIR TRANSPORTATION SERVICES PROGRAM EVALUATIONS

We recommend that the Department of Treasury Board and Finance complete an evaluation of the Air Transportation Services program and immediately communicate the results publicly.

Criteria: the standards for our audit

The department should define the results it wants from the program and periodically evaluate and report on the results of its evaluation.

Our audit findings

KEY FINDINGS

- The department evaluated the ATS program as part of the government's results-based budgeting initiative but did not report publicly the results of that evaluation.
- After this analysis, the ATS operations were moved to the Edmonton International Airport.
- The department has not updated its evaluation since the program's relocation.

From August 2012 to May 2013, the department evaluated the ATS program as part of the results-based budgeting initiative. The department's evaluation included a client satisfaction survey seeking feedback on frequency of travel, added services, check-in process, scheduling, aircraft and flight and cabin crew. The survey was based on several scheduled flights between Edmonton and Calgary. To provide useful information a survey should be based on a representative sample of passengers.

The department does not have sufficient performance reporting, including performance measures, to assess or report on the ATS program. Aircraft use by categories of users would be an informative statistic for the department to assess cost effectiveness, particularly use by passengers who would otherwise have taken commercial flights, and by passengers in relation to natural disaster and public safety mandates of the air fleet.

The department's evaluation compared the advantages and disadvantages of ATS and other transportation options: flying commercial, using charter services and driving. Based on its analysis, the department concluded the advantages of ATS far outweigh those of commercial and charter services and driving.[25]

---

[24] Air Transportation Services Review, Results-based Budgeting Program Review, March 2013.

[25] Air Transportation Services Review, Results-based Budgeting Program Review, March 2013, page 5 and Appendix A.

The department's evaluation also compared ATS costs to the estimated cost of flying commercial and driving for 2011 and 2012. The department compared its costs to commercial airlines for destinations where commercial air service was available.[26] It compared its costs to driving for destinations where commercial air services were not available.

The department calculated ATS costs for all destinations based on its variable cost per mile and included an allocation of estimated fixed costs, such as depreciation of the aircraft and proposed hangar facility. The department determined a commercial comparator based on the number of passengers flying to the destination multiplied by the estimated commercial airfare. The department also estimated and included in its commercial cost comparator the costs of clearing airport security, parking, meals and accommodation, and idle time.

The department calculated the driving cost comparator by multiplying the number of passengers flying to the destination by the driving cost per passenger which was based on distance travelled and a rate for driving. The driving cost comparator also included estimated costs for unproductive driving time over and above flying time and overnight costs, where applicable.

Their analysis showed the following:

ATS cost (X)	-	Comparative (flying commercial/driving) cost (Y)	=	Perceived value of intangible benefits (Z)
$9.3 million		$5.4 million	=	$3.9 million

Source: Results-based Budgeting Program Review – Air Transportation Service, p. 11.
We present only the 2012 analysis in this table.

The department concluded that the ATS program costs more than its comparable travel alternatives. However, the analysis concluded that the value of the intangible benefits of having government aircraft is worth at a minimum $3.9 million. In other words, the department believes it is worth paying $3.9 million for on-demand access to aircraft that provide for scheduling flexibility and the means to conduct business in private.

The analysis also compared the government's cost per passenger to certain destinations to the commercial alternative. The results of this comparison are mixed because the department's data shows it is more cost effective on some routes while it is less cost effective on other routes.

The department publicly reported on the status of its results-based budgeting initiative,[27] but the report did not mention the ATS program.

Subsequent to this analysis, the Edmonton City Centre Airport officially closed in November 2013. The implications of the department relocating its operations to the Edmonton International Airport were:

- In June 2013, the department decided to lease hangar space rather than build a new hanger at EIA.
- The department approved costs associated with a runway extension for a required alternate site at the Villeneuve Airport.
- The EIA location is not centrally located or easily accessible from all locations throughout the city. Therefore, ATS lost one of the major benefits it provided to its passengers by flying from the city centre airport.

[26] ATS destinations served by commercial air services were Calgary, Fort McMurray, Grande Prairie, High Level, Lethbridge, Lloydminster, Medicine Hat, Peace River and Rainbow Lake.

[27] Results-based Budgeting – Report to Albertans, Department of Treasury Board and Finance, November 2013.

- The department flew over 800 deadhead flights[28] between the two Edmonton airports between March 2013 and November 2013. These flights were due to the department's decision to relocate passenger services to the EIA even though it had not secured a new airplane hangar at the EIA.

The department has not updated its evaluation since it moved its operations to the EIA. The department should assess whether ATS continues deliver efficient air transportation services and achieves the intended results now that the move to the EIA is complete.

Implications and risks if recommendation not implemented

Without evaluating and reporting on the ATS program's results, it is difficult for those responsible for oversight of the program to demonstrate the value and benefits of having government aircraft.

Recommendation—Aircraft use policy

Background

The department currently has two aircraft use policies. The government aircraft use policy[29] applies to persons who want to use, or authorize use of government and chartered aircraft. The policy:

- states that the following persons and invited guests are eligible to travel on government aircraft:

Category 1	Persons responding to an emergency or to maintain public safety, security or disaster relief
Category 2	The Lieutenant Governor
Category 3	The Premier
Category 4	Members of Executive Council
Category 5	Employees of a government department, agency, committee and other persons authorized by the minister responsible for the department, board or agency
Category 6	Other governments: federal, provincial, territorial or agencies of these governments

- specifies the persons who shall authorize the request of use of government aircraft for each category
- states that all requests are subject to an approval by the minister[30] or persons authorized by the minister based on appropriate use, cost effectiveness, aircraft availability and absence of scheduled commercial flight
- requires reporting of flight information on the department's website and in the Legislative Library

The department also has an international use policy[31] which sets out the way user departments can request and report international travel expenses related to the use of the government aircraft. The policy requires:

- the requesting minister's office to e-mail details of the international flight request to the President of Treasury Board and Minister of Finance for review
- ATS will provide an estimated cost for the trip

---

[28] A deadhead is defined as the leg of a flight that has no passengers or cargo. The aircraft is carrying only crew members and is usually returning from dropping off or leaving to pick up passengers.

[29] Policy for the use of Air Transportation Service and Charter Aircraft, effective March 2010.

[30] The policy defines the "Minister" as the minister responsible for Air Transportation Service, who is currently the President of Treasury Board and Minister of Finance.

[31] Guidelines for the use of Government Aircraft for International Travel, effective March 2010.

- if the requesting minister's office accepts the estimate and the President of Treasury Board and Minister of Finance approves, ATS will schedule and coordinate the flight according to regular scheduling processes
- after the trip, ATS will provide the actual costs to the requesting Minister's office and the President of Treasury Board and Minister of Finance. This expense will be posted on the requesting ministry's website

RECOMMENDATIONS 3 & 4: CLARIFY AIRCRAFT USE POLICIES

We recommend that the Department of Treasury Board and Finance clarify its aircraft use policies to deal with:

- any partisan and personal use of government aircraft
- requirements for cost effectiveness evaluations when requesting to use government aircraft

We recommend that the Department of Treasury Board and Finance develop a common government aircraft use policy that all users must comply with.

Criteria: the standards for our audit

The department should establish and communicate clear policies and procedures to govern the use of government aircraft. The department should monitor user requests for compliance with policies and procedures.

Our audit findings

KEY FINDINGS

- The department's policies do not deal with personal or partisan use of the government aircraft.
- Multiple government aircraft use policies exist because some departments have developed their own policies.

The department's aircraft use policy does not indicate the government's expectations on partisan and personal use of the aircraft, and cost effectiveness analysis when deciding whether to fly commercially or use ATS. When we examined Premier Redford's use of the aircraft we found personal and partisan use and no documentation to demonstrate cost effectiveness was considered.

The Department of Treasury Board and Finance and ministers and their departments must manage the risk of personal and partisan use of government aircraft or the perception of personal or partisan use. By personal use we mean any travel by anyone on government aircraft that has no government business objective.

The Department of Treasury Board and Finance and all user departments should ensure they consistently comply with policies. In the sample flights we tested, we found many where the department and user departments did not comply with the requirements of the policies.

- For domestic flights, we could not find evidence that the department approved requests based on cost effectiveness and availability of commercial services.
- For international flights, we could not find evidence that the department prepared cost estimates for the requesting department and that the cost of the flight was posted on the requesting ministry's website.

The policy states authorization for using the aircraft is based on cost effectiveness and absence of commercial services. However, the policy does not specifically state that user departments should analyze cost effectiveness or document the absence of scheduled commercial service. We were unable to find evidence that the department reviewed aircraft requests for cost effectiveness and availability of scheduled commercial service. The department told us that this section of the policy allows it to "reserve the right not to approve a flight" based on these criteria. However, some user departments told us that they interpreted the policy to mean that these requirements were necessary and they have, therefore, included guidance in their own departmental aircraft use policies.

Without clarity in policies, users and user departments will interpret and make judgments as to what is acceptable. For example, the Department of Health has its own use of government aircraft policy and form.[32] The policy states that the use of the government aircraft may be authorized if a cost benefit analysis confirms that using the government aircraft is the most practical, time sensitive or cost effective mode of transportation. The policy further requires an evaluation of the travel alternatives to be supported, documented and approved.

Implications and risks if recommendation not implemented

Without clear aircraft use policies, user departments are left to interpret policy; as a result, they may use the aircraft inappropriately. Without compliance with these policies, the department and user departments cannot demonstrate whether their use of the government aircraft is appropriate.

Recommendation—Out-of-province travel

Background

As part of her request to us in March 2014, Premier Redford asked us to review the economy and utility of the ATS planes when booked for out-of-province travel.

RECOMMENDATION 5: RE-EVALUATE OUT-OF-PROVINCE USE OF GOVERNMENT AIRCRAFT

We recommend that the Department of Treasury Board and Finance require that a cost benefit analysis be performed, documented and approved by the responsible minister or deputy minister requesting service prior to authorizing the use of its aircraft for out-of-province travel.

Criteria: the standards for our audit

The department should demonstrate that its government aircraft provide economy and utility when booked for out-of-province travel.

Our audit findings

KEY FINDINGS

- The costs associated with flying government aircraft to out-of-province locations are generally more than the commercial alternative.
- The government aircraft are not designed to fly beyond certain distances and, therefore, incur added costs associated with long distance flights.

The government aircraft are designed to fly certain distances, which are limited by factors such as the number of passengers, fuel reserves, altitude and wind direction. When additional passengers or weight is added to certain aircraft, the fuel load must decrease and the aircraft must travel shorter distances. ATS aircraft are designed for the following maximum aircraft distances, factoring the number of passengers and fuel reserves only.

[32] Use of Government Air Fleet, Alberta Health and Wellness, September 15, 2005.

Aircraft	Aircraft Range (No passengers, no fuel reserves)	Aircraft Range (Max passengers, no fuel reserves)
DHC-8 103	2,400 km	1,000 km
King Air 350[33]	3,025 km	3,025 km
King Air B200	2,632 km	1,500 km

Source: Provided by the department in an email dated June 16, 2014.

The aircraft are used primarily within Alberta and, at times, to neighbouring provinces, which are within the flight ranges of all four aircraft. The department has also flown these aircraft to destinations that could be considered long distances, such as Palm Springs, Ottawa, Toronto and Whitehorse.

There are additional costs when the aircraft fly to these longer distance destinations. For example, when the King Air B200 travelled 2,887 kilometres to Ottawa with two passengers, it had to refuel in Winnipeg and incur additional landing fees. For international flights, the aircraft has to land at a destination with a customs office before it can proceed to its ultimate destination, such as the flight to Seattle. Flying long distances may have added costs associated with the crew staying overnight, such as accommodation, meals and potential overtime. These costs are not fully reflected in the current cost estimates because the department uses variable costs per mile to estimate costs for using government aircraft.

Given the aircraft's limitations and added costs, the department should re-evaluate the use of government aircraft for out-of-province travel. If the department decides it will continue to fly the aircraft out-of-province, its policy should require that an estimate of all costs associated with the flight be pre-approved by the minister or deputy minister requesting the service. This requirement will ensure a cost analysis is performed, documented and approved at the appropriate level.

The user departments should be required to document its analysis of the cost and availability of other travel alternatives. When government aircraft are the higher cost alternative, the user department must document its rationale for using them in spite of the higher cost.

We examined the department's costing data for flying government aircraft out-of-province. Their data shows that the costs associated with out-of-province flights are typically greater than a comparable economy class commercial option. For example the government's costing data shows that it would cost $13,778 to fly return to Ottawa and $13,084 to fly return to Toronto on the government's King Air 200 (maximum seven passengers) and King Air 350 (maximum nine passengers), respectively.

Implications and risks if recommendation not implemented

Without appropriately costing out-of-province travel, the department and user departments risk making inefficient or cost ineffective travel decisions.

[33] The department explained that the King Air 350 can carry a full fuel load with maximum passengers, whereas the other aircraft need to reduce the fuel load when adding passengers.

Recommendation—Reporting the costs of using the government aircraft

Background

As part of her request to us in March 2014, Premier Redford asked us to review the model for reporting the costs of use of the ATS planes.

RECOMMENDATION 6: REPORT THE COST OF USING GOVERNMENT AIRCRAFT

We recommend that the Department of Treasury Board and Finance review its costing model for government aircraft and publicly report on the costs associated with travel on government aircraft.

Criteria: the standards for our audit

The department should have an adequate model for reporting the costs of use of the government aircraft.

Our audit findings

KEY FINDINGS

- The department's variable costs for use of its aircraft are different than comparable industry benchmarks.
- The department does not publicly report its flight costs and the methodology it uses to cost the services it provides.

The department prepared a cost per mile report for all four government aircraft. It took operating costs and classified them as allocated fixed costs, directly incurred fixed costs and variable costs. The department used this information and miles travelled to calculate a fixed, variable and total cost per mile[34] for each aircraft.

We obtained a third party aviation consulting services company's cost report for each ATS aircraft. We found that the department's variable cost per mile was 14 per cent, 24 per cent and 45 per cent lower than the third party expert's calculation for the Dash 8, King Air 350 and King Air 200, respectively.

The department used variable costs per mile to determine the cost of individual flights. On its intranet website, the department provides an estimated cost to fly to common destinations for each of its aircraft. For international travel, the department prepares cost estimates and provides the actual costs to the requesting department using its variable cost per mile information. This information is provided to user departments for their analysis of cost effectiveness. If the variable cost per mile used to justify the use of the government aircraft is misstated, then the department and user departments may make inappropriate decisions.

The department should review its methodology for determining total, fixed and variable cost per mile. It should have a well established process for allocating costs between variable and fixed costs and among the individual aircraft that is consistent with industry practices.

The department posted its cost information on its intranet website, which can only be viewed by government employees. The department posts flight manifest information on its public website and in the Legislative Library. The published information includes the date of the flight, aircraft used, departure and destination points and times, the purpose of the flight, passengers and the authorizing person. However, the costs associated with the flights are not published along with the flight manifest information.

[34] The fixed and total cost per mile includes amortization.

The aircraft are government assets and the costs associated with their usage should be understood by the public. The department should publicly disclose information on its costs to operate the government aircraft and its costing model. The information should include the methodology for how the department determines cost per mile. It should also include the cost of each flight along with the flight manifest information posted on its public website and in the Legislative Library.

Implications and risks if recommendation not implemented
To ensure transparency, cost of use information should be made publicly available.

PREMIER'S SUITE IN THE EDMONTON FEDERAL BUILDING

Background

In March 2014, the CBC reported a story about a premier's suite on the 11th floor of the Edmonton Federal Building. The subsequent media coverage raised a number of questions regarding the suite.

The objective of our work was to determine if the Department of Infrastructure followed its processes for approving changes to the 11th floor. We examined the documents and emails provided by the Department of Infrastructure and interviewed individuals who to our knowledge were aware of what happened. Although the documents and emails had previously been made publicly available through a freedom of information and privacy request, the department gave us access to the documents without redaction and the floor plan drawings.

The department has processes to manage the design and construction of projects because it is responsible for project costs and results. The department's process is to meet with the future tenants (the identified user group) of the space to determine their needs. It then meets with contracted architectural firms to develop options. The department's project team then finalizes the floor plans with the identified user group.

The 2010 approved plan for the building's use was for the 10th and 11th floors to be government meeting and hosting space, with a den for the premier. The approved plan did not include residential space for a premier. The department had worked with the Ministry of Executive Council, who represented the premier, cabinet and caucus, to determine the layout of the space. The Deputy Chief of Staff for Operations and Legislative Affairs in the premier's office, who was the project liaison for cabinet and caucus, signed off the 10th and 11th floor plans in 2010.

Our findings

The premier's office requested a suite for the premier in May 2012, shortly after the April 2012 election. There has been a lot of confusion about whether the plan for a premier's suite was later changed and whether the work was stopped. The confusion occurred because the 2010 design for the 11th floor included a study for the premier, called the "premier's den." The change in 2012 was to redesign hosting space adjacent to the premier's den into two side-by-side rooms each with its own bathroom, including showers.

That 2012 floor plan continues to be built. The City of Edmonton building permit allows the space on the 11th floor to be used as residential. The department told us that the government intends to use the side-by-side rooms for meeting space rather than residential space.

The premier's office contacted the architectural firm directly in May 2012 and began working on plans to change the 11th floor hosting space adjacent to the premier's den.

The department accepted floor plans signed by the premier's executive assistant, Mr. Barberio, as the authorization to change the use and design of the 11th floor to a premier's suite and incur additional project design and construction costs. It accepted the plans even though this was a significant change in use of the space. The department told us that it viewed the Premier as the authorized decision maker for the 11th floor user group.

The total cost to build a suite instead of open hosting space has not been quantified by the department. The department paid $173,100 to the architectural firm for changes to the 10th and 11th floors based on the December 4, 2012 fee proposal. The proposal described the 11th floor requirements as two rooms

with sleeping and grooming quarters with clothes storage for an adult and one teenager. The department could not provide the additional cost of constructing a suite instead of open hosting space. It has not attempted to estimate the additional cost. The following table is a timeline of events.

Timeline	Event	Notes
July 2010	The floor plan for the 11th floor shows open hosting space with seating	The user for the 10th floor of the Edmonton Federal Building was identified as the government cabinet and caucus and the use was for meeting space and hosting. The 11th floor was planned as an extension of the hosting space on the 10th floor, with a premier's den, similar to private space provided at Government House.
May 2012	Premier's office becomes involved in the design of a premier's suite	Mr. Barberio told us that the premier's office decided that he would work directly with the architectural firm on the design of the premier's space on the 11th floor.
June 2012	A revised floor plan for the 11th floor is developed	The architectural firm met with Mr. Barberio on June 14, 2012 to discuss revising the 10th and 11th floors. Premier Redford briefly attended the initial design meeting. The revised floor plan shows the hosting area adjacent to the premier's den was changed to a suite with two side-by-side rooms with bedroom furniture and attached bathrooms. The department's Executive Director of Government Facilities Branch told us he received in July 2012 the updated floor plans dated June 26, 2012 from the Deputy Minister of Infrastructure (Mr. Gilmour). From that point forward, the department's executive director told us, he worked on the understanding that the premier would be the resident of the 11th floor suite.
Nov 2012	Architect's updated floor plans for the 11th floor are approved by the premier's office	The main change between the November floor plan and the June floor plan was a revision to remove the bedroom furniture from the suite and replace it with meeting room furniture. We were told by the architectural firm that this change was done as a security measure so that it would not become widely known that this was residential space for the premier. We were told the intended use of the space was still residential at that time. The department's executive director told us that the updated floor plan was approved by the premier's office in November 2012. He provided to us a floor plan for the 11th floor dated November 6, 2012 labeled "11th floor furniture plan A," signed by Mr. Barberio.
Dec 2012	Minister's office confirms the floor plans for the 11th floor	The department's executive director told us the department confirmed with Minister Drysdale's office that the November 6, 2012, 11th floor plan, signed by Mr. Barberio, was approved. The department accepted this as authorization for the change in use of the floor from hosting space to a premier's suite.
June 2013	The tender documents for construction of the 11th floor are issued	Change orders for the construction were issued. There were no significant differences between the tendering documents and the June 26, 2012 floor plan.
May 5, 2014	Memo from Deputy Minister of Infrastructure to Minister of Infrastructure	The Deputy Minister (Ms. Nelson) confirms to Minister McIver that two meeting rooms will be constructed.
July 2014	The space shown in the June 26, 2012 floor plan continues to be built.	The department's executive director told us that the layout and finishing of the 11th floor is based on the June 2013 tendering documents.

AUDITOR GENERAL
Alberta

Premier Redford's Request to the Auditor General

APPENDIX A

SPECIAL DUTY REPORT

August 2014

Premier of Alberta

Office of the Premier, 307 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

March 4, 2014

Merwan N. Saher, FCA
Auditor General of Alberta
8th floor, 9925 - 109 Street
Edmonton, Alberta
T5K 2J8

Dear Mr. Saher:

In order to fully achieve the government's mandate there are cases where travel within or outside of the province is necessary. In September 2012 the government introduced a new set of standards, the Travel and Expense policy designed for unprecedented disclosure and to provide an expense process that was beyond reproach. The objective of the Travel and Expense Policy is that all expenditures for travel, hospitality, conferences or events are managed responsibly and prudently; and that they represent the most efficient use of taxpayer dollars.

It has been almost 18 months since the introduction of the policy, now generally regarded as the industry standard in government expense disclosure policy by groups such as the Canadian Taxpayers Federation. The policy has served the government well, but as with any policy it should be regularly reviewed and allowed to evolve to always remain current and to that we look for your guidance.

It is stated in the Travel and Expense Policy that expenses disclosed must be able to withstand scrutiny by the office of the Auditor General of Alberta; recently doubts have been raised about compliance with the policy. Under section 17(2) of the Auditor General Act you have the power to perform special duties as specified by Executive Council. With the policy now in place for an established period of time I would request your office review it to ensure it provides a framework for the most effective and efficient use and disclosure of public resources in the course of mandated government business.

As a measure to ensure that our government is abiding by the Travel and Expense Policy, I would like to further request a review of the Office of the Premier, as a representative government sample, for compliance with the policy and that proper processes are in place are being utilized effectively.

.../2

In addition, the Government of Alberta's Air Transportation Service (ATS), has been in use since the mid-1970s to transport government employees, the Lieutenant Governor, and the Executive Council of the province as well as for emergency situations. Your office's review of ATS in the 2004-05 and 2005-06 Auditor General Reports examined the effectiveness and economics of the ATS; I am writing to request your office review the implementation of the recommendations made at that time with a view to increased efficiency and economy of the service.

The use of the ATS has become a topic of discussion in the recent weeks and it is important that the government and Albertans have confidence that the operation of the planes is cost effective and provide value. In particular, I would like your office to determine the economy and utility of the ATS planes when booked to out of province destinations. Pending your decision I have directed the President of the Treasury Board to suspend out of province travel on the ATS planes.

To ensure better informed real time decisions, I also request from your office a model for reporting the costs of the use of the planes. Of course it is not only costs that need to be factored in travel planning; in the 04-05 Auditor General Reports safety, security, confidentiality, and timeliness were identified as important factors in the travel decisions of ATS users; I would ask that your office take these factors into consideration as part of your evaluation again.

As an audit professional, your work provides assurance; you enable Albertans to have confidence in the good work that government public servants do every day. This is in addition to the vitally important work you do reviewing and making recommendations so our government can do even better. I look forward to your thoughts on the areas I have raised in this letter.

Even though the general rule of the Alberta government is that expenditures, where they are necessary, are managed in an effective, efficient and economical manner, like many Albertans I am concerned with the allegations surrounding expenses and use of the government planes. I am optimistic that your review will assist in securing Albertans continued confidence in their government and trust in their elected officials

Yours truly,

Alison M. Redford, QC

AUDITOR GENERAL
Alberta

Auditor General's Response to Premier Redford

APPENDIX B

SPECIAL DUTY REPORT

August 2014

AUDITOR GENERAL
Alberta

March 7, 2014

8th Floor, 9925-109 Street
Edmonton, AB T5K 2J8
Canada

Tel: 780.427.4222
Fax: 780.422.9555

www.oag.ab.ca

The Honourable Alison M. Redford, QC
Premier
307 Legislature Building
10800 - 97 Avenue
Edmonton, AB T5K 2B6

Dear Ms. Redford:

This is to formally acknowledge receipt of your letter dated March 4, 2014 requesting me to perform a special duty under section 17(2) of the *Auditor General Act*.

I accept your request. I am working with my senior colleagues in the office to translate your request into audit projects, to assess the resources needed to execute those projects and to prepare a timeline for completion of the projects. In this regard, I intend to work with Peter Watson, Deputy Minister of Executive Council.

Once I have completed audit planning, I will formally communicate to you the scope of my work.

Yours truly,

M.N. Saher

Merwan N. Saher, FCA
Auditor General

AUDITOR GENERAL
Alberta

Auditor General's Response to Premier Hancock

APPENDIX C

SPECIAL DUTY REPORT

August 2014

AUDITOR GENERAL *Alberta*

April 15, 2014

8th Floor, 9925-109 Street
Edmonton, AB T5K 2J8
Canada

Tel: 780.427.4222
Fax: 780.422.9555

www.oag.ab.ca

The Honourable Dave Hancock, QC
Premier
307 Legislature Building
10800–97 Avenue
Edmonton, AB T5K 2B6

Dear Premier:

This letter is to formally communicate the scope of my work related to the request for me to perform a special duty under section 17(2) of the *Auditor General Act*. I have translated the request dated March 4, 2014 into three audit projects.

First, I will assess whether the former Premier and the Office of the former Premier's employees complied with the Government of Alberta's:

- travel, meal and hospitality expense policy
- public disclosure of travel and expense policy
- Air Transportation Services' policies
- other applicable policies, directives and guidance (e.g. credit card policy directive)

Secondly, I will review the Government of Alberta's expense, disclosure, and airplane policies and provide advice on whether the policies provide a framework for the most effective and efficient use and disclosure of public resources in the course of mandated government business.

Finally, I will assess if the Department of Treasury Board and Finance has adequate processes to assess the Air Transportation Services' program to ensure the program is meeting its objectives, considering risks, costs and benefits. As part of this audit we will also assess whether:

- the program is providing economy and utility when booked for out-of-province travel
- there is a better model for reporting the costs of the airplanes

We anticipate our work will be reported in July 2014.

Yours truly,

M.N. Saher

Merwan N. Saher, FCA
Auditor General

BI/am

c: Mr. Peter Watson, Deputy Minister of Executive Council

File ref: EXC S 4694 [A.9.5]

AUDITOR GENERAL
Alberta

Cost of the Report

APPENDIX D

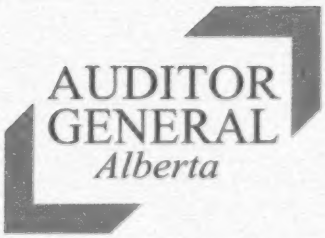
SPECIAL DUTY REPORT

August 2014

COST OF THE REPORT

Audit projects:

Office of the Premier expenses and use of government aircraft	$237,100
Air Transportation Services program	196,300
Edmonton Federal Building redevelopment	52,000
Total cost	$485,400



Office of the Auditor General of Alberta
8th Floor, 9925 109 Street NW
Edmonton, Alberta, Canada T5K 2J8

Phone: 780.427.4222
Fax: 780.422.9555
Email: info@oag.ab.ca
This report is available at
www.oag.ab.ca ISSN 1927-9604